



SACHI A. HAMAI  
Interim Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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June 23, 2015

To: Mayor Michael D. Antonovich  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

From: Sachi A. Hamai  
Interim Chief Executive Officer

Board of Supervisors  
HILDA L. SOLIS  
First District

MARK RIDLEY-THOMAS  
Second District

SHEILA KUEHL  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### STATE BUDGET - PRELIMINARY ANALYSIS OF THE LEGISLATURE-APPROVED FY 2015-16 STATE BUDGET

On June 19, 2015, four days after passing a FY 2015-16 State Budget bill containing \$117.5 billion in expenditures, the Senate and Assembly approved a revised budget measure which reflects the compromise reached by Governor Brown, Senate President Pro Tempore de Leon and Assembly Speaker Atkins to reduce expenditures to \$115.4 billion, consistent with revenue estimates in the May Budget Revision. The compromise budget affirms the Governor's ongoing priorities to pay down the State's debt, build a reliable Rainy Day Fund, and prudently manage fiscal resources. The key elements of the compromise budget package include: 1) additional funding for K-12 and higher education; 2) expansion of child care and early education programs; and 3) expansion of Medi-Cal benefits for immigrant children.

Several budget-related items will be considered by the Legislature in the coming weeks. As previously reported, the Governor has convened the Legislature into two Special Sessions to consider legislation to enact permanent and sustainable funding to: 1) maintain and repair the State's transportation and infrastructure; and 2) stabilize State General Fund costs for the Medi-Cal Program. The Legislature is also expected to deliberate on the appropriation of cap and trade resources and to consider a budget trailer bill to further refine and guide the process for the dissolution of redevelopment agencies.

*"To Enrich Lives Through Effective And Caring Service"*

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The revised budget bill and 17 related trailer bills now head to Governor Brown who has until June 30, 2015, to act on these measures. The FY 2015-16 State Budget and related trailer bills include:

<b>Bill Number</b>	<b>Subject</b>	<b>Senate Vote</b>	<b>Assembly Vote</b>	<b>Passed</b>
AB 93	Main FY 2015-16 Budget Bill	26-13	52-28	June 15, 2015
SB 97	State Budget Act of 2015 (Amends AB 93)	30-9	53-26	June 19, 2015
<b>Budget Trailer Bills</b>				
AB 95	Transportation	26-12	50-28	June 15, 2015
AB 104	K-12 Education	38-0	71-8	June 19, 2015
AB 114	Public Works	36-3	78-2	June 15, 2015
AB 116	FY 2014-15 Augmentations	26-13	61-18	June 15, 2015
AB 117	State Government	23-13	62-13	June 19, 2015
AB 119	Public Health – Skilled Nursing Facilities Quality Assurance Fee			June 15, 2015
SB 75	Health	28-12	52-28	June 19, 2015
SB 78	Education – Local Control Funding Formula	36-0	76-0	June 19, 2015
SB 79	Human Services	32-7	66-9	June 19, 2015
SB 80	Earned Income Tax Credit	38-1	74-1	June 19, 2015
SB 81	Higher Education	40-0	78-0	June 19, 2015
SB 82	Developmental Disabilities	35-0	79-0	June 19, 2015
SB 83	Resources	25-14	52-24	June 19, 2015
SB 84	General Government	28-12	52-24	June 19, 2015
SB 85	Public Safety	27-12	52-28	June 19, 2015
SB 88	Drought	24-14	52-28	June 19, 2015
SB 98	State Government – Employees Retirement	26-14	71-3	June 19, 2015

### **Estimated County Impact**

**Based on a preliminary analysis, the County will not experience a loss of funding or program reductions from any of the provisions in the Legislature-approved State Budget package.**

The Legislature-approved budget includes the following key County-supported items:

- **State Mandates.** The FY 2014-15 Budget Act included a trigger mechanism that required additional payments to local governments for the remaining pre-2004 mandate debt based on the State General Fund revenues. This did not require

any action in the FY 2015-16 State Budget. The May Revision identified \$765.0 million in State revenue for the outstanding mandate payments. The County is expected to receive approximately \$134.7 million, which reflects the principal amount of \$109.4 million owed plus \$25.3 million in interest. Payment for the principal amount is expected to be received by the end of June 2015, with the remaining payment for interest to follow in August.

- **Health Facilities Inspections Program.** The Legislature-approved budget includes a County-supported proposal to augment the Department of Public Health's licensing and certification contract by an additional \$5.3 million, an increase above the \$9.5 million proposed by the Governor for a total annual contract amount of \$41.7 million.
- **County Medi-Cal Administration.** The Legislature-approved budget includes a County-supported increase of \$95.3 million for counties to conduct Medi-Cal eligibility due to the continuing workload associated with implementation issues related to the California Healthcare Eligibility, Enrollment, and Retention System. The funding increase is in addition to the \$150.0 million proposed by the Governor, for a total of \$245.3 million statewide.
- **CalWORKs Housing Support Program.** The Legislature-approved budget includes a modified County-supported proposal to provide \$15.0 million to the CalWORKs Housing Support Program. This funding is in addition to the \$20.0 million proposed by the Governor, for a total of \$35.0 million statewide.
- **Relative and Foster Parent Recruitment, Retention, and Support.** The Legislature-approved budget includes a modified County-supported budget proposal to provide \$15.0 million for relative and foster parent recruitment, retention, and support. This funding is in addition to the \$2.8 million proposed by the Governor, for a total of \$17.8 million statewide. The budget also contains provisional language to specify that the funds can be used for staffing to provide and improve direct services, exceptional child needs, child care for licensed foster parents, approved resource families, and relative caregivers.
- **Dependency Court-Appointed Counsel.** The Legislature-approved budget includes a modified County-supported budget proposal to provide \$11.0 million in additional funding for court-appointed dependency counsel for parents and neglected children.

- **Fireworks Disposal.** The Legislature-approved budget includes County-supported language to provide \$5.0 million to dispose of statewide stockpiles of illegal fireworks. This one-time allocation is intended to address those illegal fireworks seized and stored locally in 2014 and anticipated to be seized in 2015.
- **County Veterans Service Officers.** The Legislature-approved budget includes County-supported language to provide an additional \$3.0 million in ongoing funding for a total of \$5.6 million to support the statewide activities of County Veterans Service Officers.

### **Other State Budget Issues of Significant County-Interest**

Key elements of the Legislature-approved budget package of significant County interest include:

#### **State Mandates**

- **Election Mandates.** The Legislature-approved budget: 1) continues the suspension of seven elections mandates; 2) creates a workgroup including the Department of Finance, Secretary of State, and Legislative Analyst's Office to evaluate alternatives for funding elections-related State mandates; and 3) instructs the Department of Finance to provide an annual report to the Legislature to assess whether counties continue to implement suspended election mandates despite the unavailability of State reimbursement for such activities.

#### **Health**

- **Medi-Cal Coverage for Immigrant Children.** The Legislature-approved budget includes \$40.0 million to extend eligibility for full-scope Medi-Cal benefits to low-income immigrant children under age 19 effective May 1, 2016, consistent with provisions in SB 4 (Lara).

#### **Social Services**

- **In-Home Supportive Services (IHSS).** The Legislature-approved budget provides \$226 million in one-time funding to restore the 7 percent reduction in IHSS service hours, effective July 1, 2015. Ongoing funding for the restoration will be considered as part of the Special Legislative Session on Health Care Financing. The budget continues to set aside State General Fund in the event that overtime rules for the IHSS Program are implemented, which is pending a Federal court decision.

- **New Earned Income Tax Credit for Low-Income Families.** The Legislature-approved budget provides \$380.0 million to fund a new State Earned Income Tax Credit for low-income working families.

### **Child Care and Early Education**

The Legislature-approved budget provides \$235.0 million (\$165.0 million State General Fund [SGF] and \$70.0 million in Proposition 98) in FY 2015-16 and \$265.0 million (\$165.0 million SGF and \$100.0 million in Proposition 98) in FY 2016-17 and beyond. The package contains various provisions, including the following:

- **Child Care and Preschool Slots:** would provide a total of 13,830 additional child care and preschool slots which include: 5,830 full-day state preschool slots effective January 1, 2016; 1,200 non-local educational agencies full-day preschool slots effective January 1, 2016; and 6,800 Alternative Payment voucher child care slots effective July 1, 2015.
- **Reimbursement Rates:** would increase the license-exempt rate from 60 percent to 65 percent of the family child care home rate effective October 1, 2015; provide a 4.5 percent increase to the Regional Market Rate effective October 1, 2015; and provide a five percent increase to the Standard Reimbursement Rate effective October 1, 2015.

### **Public Safety**

- **Community Corrections Performance Incentive Grant.** The Legislature-approved budget includes a revision of the formula for the Community Corrections Performance Incentive Grant program (SB 678, Chapter 608, Statutes of 2009), as well as \$1.1 million statewide in increased funding as a result of the formula change. The revised SB 678 formula is intended to stabilize program funding while maintaining a performance-based funding mechanism that better reflects the recent refinements in data collection by county probation departments.
- **Post Release Community Supervision.** The Legislature-approved budget includes an additional \$18.6 million statewide for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision as a result of two new prison population reduction measures implemented on January 1, 2015.

- **Incompetent to Stand Trial Waiting List.** The Legislature-approved budget provides \$4.0 million to expand the Restoration of Competency (ROC) program by up to 108 beds. Expansion of the ROC program is intended to begin addressing the backlog in the State's incompetent to stand trial (IST) waitlist. The waitlist is made up of approximately 300 IST patients awaiting admission to the State hospital treatment program. Currently, these patients must be held by local county jails.

### **Environment and Natural Resources**

- **Drought Relief and Consolidation of Water Systems.** The Legislature-approved budget includes various statutory changes related to drought relief, public water systems, groundwater replenishment projects, and development and approval of building standards by state agencies for recycled water systems. Specifically, it includes \$1.8 billion for various drought related projects, including water conservation, infrastructure programs for groundwater cleanup and water recycling, safe drinking water, wastewater treatment, and water recycling. The budget includes emergency drought-response activities, such as fire protection and drinking water deliveries. Funding for the drought relief package includes \$1.7 billion in funding from the voter-approved Proposition 1 of 2014 and \$121.0 million in State General Fund and Special Fund revenues.

The Legislature-approved budget also authorizes the State Water Resources Control Board to order the consolidation of public water systems that consistently fail to provide an adequate supply of safe drinking water; and provides California Environmental Quality Act exemptions for certain groundwater replenishment projects, building standards for recycled water systems, and ordinances for well permits.

We will continue to keep you advised.

SAH:JJ:MR  
VE:IGEA:gl

c: All Department Heads  
Legislative Strategist